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NASA Procedural Requirements

COMPLIANCE IS MANDATORY**NPR 9060.1A**
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 (NASA Only)

Subject: Accrual Accounting - Revenues, Expenses, and Program Costs

Responsible Office: Office of the Chief Financial Officer[| TOC](#) | [Preface](#) | [Chapter1](#) | [Chapter2](#) | [Chapter3](#) | [AppendixA](#) | [AppendixB](#) | [AppendixC](#) |
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Appendix C. Cost Recognition Guidance

C.1 Make every practicable effort to ensure cost accruals are as accurate as possible.

C.2 Personnel Compensation, Personnel Benefits, and Related Payments.

C.3 Gross Compensation. Accrue gross compensation, including overtime, through the end of each month. Use the labor distribution system to distribute actual charges to cost accounts and to credit-accrued funded payroll and leave. If practicable, implement a month-end record cutoff, such as where daily time records are kept and the only additional effort required is an interim cutoff and report. If a record cutoff is not feasible, accrue cost through the end of the month using the most reliable estimating techniques available. Distribute labor cost accruals to the appropriate benefiting project(s) and functions. Accrue merit bonuses and awards in the month in which the Center OCFO is notified of the liability for payment. Accrue the cost of unused annual leave, compensatory time, and credit hours earned monthly, based upon the difference between the monthly leave liabilities for the prior and current fiscal years.

C.4 Benefits. Accrue the cost of benefits, including NASA contributions to Social Security, retirement funds, the Thrift Savings Plan, and group health and life insurance programs in the same manner as gross compensation. Accrue other benefits, such as relocation-related real estate costs and personnel allowances, in the month in which notification of liability for payment is received.

C.5 Reemployed Annuitants and Severance Pay. Accrue the cost of payments to the Office of Personnel Management for reemployed annuitants and severance pay for former employees in the same manner as gross compensation.

C.6 Recruitment and relocation bonuses and retention allowances. Accrue recruitment and relocation bonuses and retention allowances in the month in which the Center OCFO is notified of the requirement for payment.

C.7 Travel and Transportation of Persons.

C.8 The accrual for transportation, per diem, and miscellaneous costs will be estimated for the month travel commences based upon the travel days that fall within the month. Actual cost is recorded when invoices and travel vouchers are paid.

C.9 Travel costs not documented by travel orders, such as contracts for the rental of passenger-carrying vehicles not associated with Temporary Duty Travel TDY travel, will be based upon contractor billings or estimates.

C.10 Accrue permanent change of station travel and transportation costs when incurred.

C.11 Transportation of Things. Accrue costs evidenced by copies of Government Bills of Lading (GBL) issued to carriers when the certified invoice is received, concurrent with the obligation. At the end of the fiscal year, accrue costs not yet documented by a GBL based upon billings received or other reliable notices that transportation has been accomplished.

C.12 Rents, Communications, and Utilities.

C.13 Leases and Rents. Accruals for leases and rents are based upon lease or rental agreements. In the absence of language to the contrary, accrue 1/12 of the total annual rent each month.

C.14 Communications and Utility Service. Accrue cost for communications and utility service based upon billings received. If billings are not available or usage fluctuates significantly, obtain meter readings or estimates of usage and price according to the appropriate schedule of charges.

C.15 Other Contractual Services. Accrue costs of contracted services as of the end of the month during which the services are performed. If invoices covering the services have not been received or approved, the accrual will be estimated, based upon the known level of activity, previous billings, or the estimates of cognizant NASA personnel.

C.16 Supplies and Materials.

C.17 Base accruals upon invoice prices, when available or receiving reports using purchase order prices.

C.18 Accrue direct project or program support purchases for which the end-use classification is predetermined to the appropriate end-use classifications in the month the items are received.

C.19 Accrue stores and standby stock initially against the applicable inventory cost object.

C.20 All invoices supported by receiving reports and all receiving reports will be accrued.

C.21 Grants and Cooperative Agreements. The Grants and Cooperative Agreements are recorded as determined by the Center using methods suggested in Technical Release 12.

C.22 Contracts and Purchase Orders.

C.23 Accruals for Cost-Type Contracts. Under cost-type contracts, the contractor performs in accordance with instructions and specifications prior to delivery and Government acceptance of the product. In such cases, the accrual takes place as the work is performed, since constructive acceptance of the end product occurs during each accounting period as the contractor earns a portion of the contract price. The same concept applies to prime contractor accruals of subcontractor costs.

C.24 Contracts with NASA Contractor Cost Reporting.

a. When submittal is contractually required, contractor cost reports (usually NASA Form (NF) 533M (monthly) and NF 533Q (quarterly) reports) will be the basis for the cost accrual. (See the current versions of NPD 9501.1, "NASA Contractor Financial Management Reporting System," and NPR 9501.2, "NASA Contractor Financial Management Reporting," for detailed information on NF 533M and Q reporting.) The monthly NF 533M report is due ten work days after the close of the contractor's accounting period or as negotiated. All reports are due prior to NASA's month-end closing. NASA Centers should encourage contractors to use the electronic NF 533 submission process.

b. When NF 533 reports are not received in time to permit recording of the contractor's actual costs, base the cost accrual on the contractor's estimate for the current month. Refer to section C.24.d. if there is a concern about the accuracy of the contractor's estimate.

c. Contractors' accounting periods commonly differ from the calendar month basis used for NASA accounting. Monthly cost accruals, however, need not include an estimate for the cost to be incurred during the period from the end of the contractor's accounting period to the end of the month. This estimate should be performed quarterly.

d. If monthly analysis of the accuracy of a contractor's estimates indicates they are usually significantly inaccurate, promptly take appropriate corrective actions to ensure future estimates are reasonably accurate. (If for a given month there is reason to believe the contractor's estimate will be significantly inaccurate, increase or decrease that estimate to improve the accuracy of the accrual for the month. Explain any such exception adjustments, whether for an individual month or a period of months, to the DCFO(F)'s satisfaction and document the adjustments in the cost reporting system. If the explanation cannot be fully recorded on the Cost Entry Sheet line, the Center OCFO maintains documentation of the complete explanation. The explanation will be reviewed prior to acceptance of the accrual.) If it is necessary to make adjustments to a contractor's estimates for a number of months while corrective actions are implemented to improve the accuracy of the estimates, the effect of such adjustments should be analyzed each month to ensure they are resulting in more accurate accruals. Contractors' actual costs shown on NF 533 reports are not adjusted.

e. Monitoring NF 533 Timeliness, Contractor Estimates and Cost Reporting System Accruals.

(1) Monitor timeliness of receipt of the NF 533 reports and the accuracy of accruals each month. The cost reporting system provides Analysis of Accrued Cost, cost reporting system Timeliness, and Adjustment Explanation Reports to assess the timeliness and accuracy of Center accruals and contractor estimates. Cost reporting system analysts review the Analysis of Accrued Cost Reports each month to assess the accuracy of the accruals and document explanations for consistently excessive variances. Variances shown in the report measure accuracy of the contractor estimates and the effect of any Contractor Cost Reporting Analyst adjustments to those estimates. A monthly review is performed of the Analysis of Accrued Cost Reports for those contracts which account for the

majority (at least 85 percent) of the Center's total monthly cost accrued on contracts with contractor cost reports to support the management of the contract. Where consistently excessive variances of +/- 10 percent occur, cost reporting system Administrators request and review explanations of causes and corrective actions taken to improve the accuracy of contractors' accruals. The variances measure the accuracy of contractor estimates and the effect of any cost reporting system analyst adjustments to those estimates. Performance is tracked against established goals and as required in Chapter 6 of the Continuous Monitoring Program (CMP). Center DCFO(F) regularly reviews these metrics, along with data assessing timeliness of NF 533 report submission, with Center CFOs. It is suggested that analysis is shared with (contract management team (contracting officer, contracting officer's representative, resource analyst, etc.))

(2) The DCFO(F) notifies the Contracting Officer when contractors' NF 533 reports are frequently late, not received, or the estimates reported show consistent, significant variances to subsequently reported actuals. Upon notification, the Contracting Officer may pursue corrective action.

(3) NF 533 reports should be structured to facilitate accrual accounting in accordance with NASA's prescribed coding structure, in categories that directly relate to the proper funding appropriations. Reporting structures should also be designed to provide cost data in the program/functional management classifications, by which NASA managers relate in-house activity. The current versions of NPD 9501.1, "NASA Contractor Financial Management Reporting System," and NPR 9501.2, "NASA Contractor Financial Management Reporting," provide requirements and guidance regarding development of NF 533 reporting structures. Where a direct correlation between reporting categories and the prescribed coding structure is not feasible, the cost reporting system provides cost allocation methods for the distribution of cost within reporting categories. The distribution methodology should reflect work being performed by the contractor and ensure matching of costs to the proper funding appropriation. DCFO(F) personnel periodically reviews allocations made to ensure conformance with Agency costing policy and the approved contract methodology.

f. Centers are required to use the cost reporting system to generate entries related to NF 533 contracts within Core Finance for processing NF 533 contracts. The cost reporting system will serve as the basis of record for the accrual of contractor costs to include transactions related to the following:

(1) Termination liability. When reported by a contractor, termination liability represents the contractor's estimate of costs incident to stopping work on the contract in the event of termination. This cost should not be accrued unless it is probable that it will occur within the current reporting period, reasonably estimable, and material; in accordance with NPR 9260.1, Liabilities. Such instances are extremely uncommon.

(2) Discounts. The final contract cost will be reduced by the amount of discounts taken for prompt payment. Discounts taken on contractor invoices are recognized in the accounting system using Standard General Ledger accounts.

(3) Award and Incentive Fees. Accrue fees as earned and reported on NF 533 reports or billed by contractors. In the case of award fees, accrue only the base fee earned each month, and if historical evidence or contract provisions exist to support accrual of an estimated portion of the award fee that portion must also be accrued. Accrue incentive fees when earned in accordance with the incentive fee provisions in the contract. Explain any accrual adjustments for fees in the cost reporting system to provide an audit trail from the NF 533 report to the amount accrued in the accounting system.

C.25 Contracts without NF 533 Reporting.

a. NASA recognizes cost using a straight-line calculation, or other cost recognition methods, for contracts without NF 533 contractor cost reporting. When cost is incurred at a steady rate without large fluctuations, the straight-line calculation is used. Centers review the accrued cost recorded using the straight-line calculation prior to year-end closing to confirm that the period of performance has not been revised and to ensure adequate costs have been recorded. If actual cost incurred proves to be volatile with significant differences from the amount of cost recognized, the cost methodology should be changed.

b. Base cost accruals upon the most appropriate, reliable data available, such as recent statements of costs, contractor billings, or other reasonable projections.

C.26 Accruals for Fixed-Price Contracts and Purchase Orders.

C.27 Contracts and Purchase Orders Requiring Specific Performance. Base accruals for fixed-price contracts and purchase orders requiring performance in accordance with specific contractual instructions or specifications, as opposed to goods available "off-the-shelf," upon the constructive receipts concept. Technical personnel may provide the percentage of known work completed or the number of work products provided.

C.28 Contracts and Purchase Orders for "Off-the-Shelf" Items. Accruals for fixed-price orders for goods which the contractor has available for sale to others will be made when the Federal Government receives and takes title to the goods, including instances where the contractor delivers the goods to a carrier acting on the Federal Government's behalf. Base accruals on receiving reports, invoices, or similar documents. A percentage of the total contract value

may be used for partial deliveries if documentation is not available.

C.29 Purchase Orders with Other Government Agencies. Calculate cost accruals for purchase orders with other Government agencies using the most accurate method considering the type of order.

a. When appropriate, a straight-line calculation should be used for orders when the delivery of services will occur at a steady rate over a specific period of performance.

b. Record the accrual using other cost estimating techniques when none of the preceding methods is appropriate. Cognizant NASA personnel record and confirm accruals each month. Examples of data sources include:

(1) Standard Interagency Agreements and Orders (7600A and 7600B), receiving reports, and cost estimates obtained from the Government agency involved.

(2) Estimates of construction work in place obtained from the Department of the Army Corps of Engineers or other Government agency. Cost curves may be used to evaluate estimates.

(3) Purchase order terms and prior billings when incurred cost estimates cannot be obtained from the performing Government agency.

C.30 Procurement Purchase Cards. Cost is recorded at the time the bankcard statement is reconciled and posted for disbursement. An accrual will be recorded monthly. The accrual is reversed in the subsequent month (accounting period), after completion of the reporting cycle.

C.31 Revenue. Accrue revenue in or as close as possible to the month earned.

C.32 Cost Reports. The Analysis of Accrued Cost section of the cost reporting system's Timeliness, Analysis of Accrued Cost, and Adjustment Explanation Reports do not allow for the input of explanations for variances. Therefore, document and manually track the explanations of variances. Information on cost reporting is also contained in the CMP Monthly Exception Report.

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